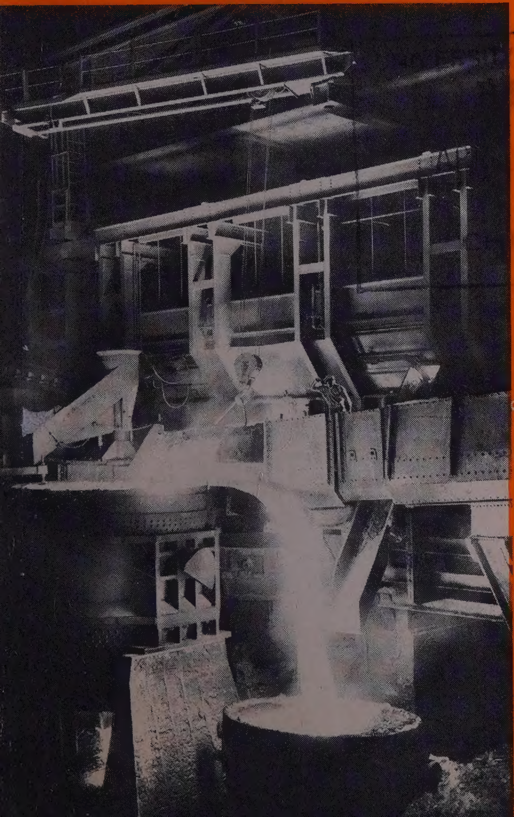
April 15, 1959

Investor's Reader

For a better understanding of business news



MAN-DWARFING OPEN HEARTH AT BIG STEEL'S BIG FAIRLESS WORKS (see page 19)

CANCO COVERAGE

At the very start of his annual report president William C Stolk of the American Can Company wrote: "The year 1958 again proved the interrelationship between your company's welfare and the national economy." But Canco obviously is not willing to trust its growth to the fickle fluctuations of the business cycle. Thus the deep blue chip company which already numbers this pleasant lady and millions of her neighbors as constant customers for soup cans, milk containers, toothpaste tubes, etc, now wants to sell her Canco-canned bras and panties. It expanded its coverage to these two feminine essentials plus children's briefs and socks in a recent five-week trial at four Penn Fruit supermarkets.

Two weeks ago Canco proudly released the result: the four items packed in rigid cardboard containers outsold the same products wrapped in flat transparent plastic packages by better than two-to-one, also substantially boosted total sales for these wares. Aside from their sales appeal, Canco cites important handling advantages. The five-inch high (beer can-sized) cylinders can be warehoused, price-stamped and shelved like standard supermart goods. Encouraged by its test, Canco now hopes to capitalize on—and promote—the growing trend toward soft goods selling in supermarkets with cardboard cans to house everything from polo shirts and mufflers to pillowcases and diapers, thus create a new container "potential in the hundreds of millions."

While it will take time to cash in on the clothing cans, such alertness for new opportunities plus readiness to improve manufacturing operations helped Canco to ease the recession impact in early 1958 and accent the subsequent recovery. Thus 1958 volume rose 3% to a new high $37,000,000 above the billion mark while earnings recovered to $46,400,000 or $2.78 a share from $42,200,000 ($2.51) in 1957. With dividends maintained at $2 annually, the current Big Board price around 48 offers a yield of a little over 4%.

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US Investments in Mexico

Many Big Corporations Set Up South-of-Border Shop in Friendly Climate

ALMOST everywhere in Mexico a tourist sees familiar signs of US industry. In Mexico City last week Counselor John Ordway of the Economic Section of the US Embassy said: "You can hardly name a company which does not operate here." All the big automakers have some stake in Mexico. So do such leaders in other industries as duPont, GE, Goodyear, IBM, Pfizer, Sears and Sperry Rand. A partial roster of US participants in Mexican business is found on pages 2 & 3.

According to a survey of 46 North American companies made by the *Mexican American Review* two years ago, US operations in Mexico are large and small, "ranging in worth from $80,000 to $70,000,000 and employing anywhere from 52 to 13,400 workers. This excludes one to six-man shops. They embrace virtually every important sphere of economic activity—including mining, manufacturing, transportation, textiles, autos, utilities, chemicals and retailing." The plants produce and sell everything from meatsauce, razors and cereal to sulphur, truck chassis and galvanized iron culverts.

Many of these companies are not really US-owned although this is the popular impression. Of the 46 companies, the *Mexican American Review* found "half of them are not North American in respect to ownership * * * The remaining half are owned jointly by North Americans and Mexicans and of these a number are controlled by Mexicans."

Comments John Ordway: "There are all types of arrangements." Some are owned 50-50 while others have a majority of Mexican capital. Still others are 100% Mexican-owned and pay US royalties. For example, the majority of stockholders of Celanese Mexicana are Mexi-

can. Westinghouse owns 26.5% of Industria Electrica de Mexico which manufactures electrical appliances, principally under license from guess-who. The Mexican company also acts as exclusive distributor for US-made Westinghouse products. Exactly where the line would be drawn to make a company "American" has never been defined.

William A McDonnell, president of the US Chamber of Commerce estimates north-of-the-border companies and individuals had investments of $787,000,000 in Mexico in 1957. He says new investments by the US in Mexico in 1957 were $61,000,000 compared with $33,000,000 in 1956 and $51,000,000 in 1955. He adds: "According to my way of thinking there is no economic reason why investments from the US should not continue to mount as long as the present favorable climate is maintained."

The "climate" is important because many US investors still fret about events two decades ago when Mexico grabbed several US-owned oil operations.

Because of foreign exchange restrictions in many nations, US investors still worry about the chances of getting their money out of a country. According to Counselor Ordway: "There is no difficulty in getting money out of Mexico. Conditions are very attractive compared to other countries." Funds move in & out of Mexico without restriction or declaration. In addition Mexico imposes fewer restrictions on the investment of foreign capital than many other countries.

There are some state-owned enterprises, such as Petroleos Mexicanos (Pemex), the railways, plants of the Federal Electricity Commission and some industrial establishments which are partly owned by Nacional Financiera (a government-owned investment bank). And in some industries (like radio broadcasting, motion pictures and maritime, air and land transport), at least 51% of the capital must be Mexican.

But for the most part the Mexican government prefers to leave indus-

SOME OF US FIRMS . . .

Abbott Laboratories
Addressograph-Multigraph
Alcoa
Allis-Chalmers
American Chicle
American & Foreign Power
Anderson, Clayton
Bristol-Myers
Brunswick-Balke-Collender
Burroughs Corp
Canada Dry
Celanese Corp of America
Champion Spark Plug
Chicago Pneumatic Tool
Chrysler Corp
Coca-Cola
Colgate-Palmolive
Corn Products
Cummins Engine
Denver Equipment
Dow Chemical
DuPont
Fairbanks, Morse
Firestone Tire & Rubber
Ford Motor
General Electric
General Motors
Gillette Company
Goodrich (B F) Company
Goodyear Tire & Rubber
Grace (W R) & Company
Green (A P) Fire Brick
Harbison-Walker Refractories
Heyden Newport Chemical
IBM
International Harvester

trial development to private enterprise. In fact, just recently the new director general of Pemex said there is plenty of room for US investment in the development of petrochemical plants in Mexico. Pascual Gutierrez Roldan told newsmen Mexico planned to go it alone as far as possible in building its own integrated petroleum industry. But, he added, the country will take outside help. "We will go as far as our resources will permit but we are already negotiating with Phillips Petroleum for a carbon black plant."

Meantime the US Department of Commerce says the Mexican government encourages the development of local industry through such devices as "tariff protection, tax exemptions for approved new or necessary industries, and, in some cases, duty-free entry of machinery and equipment for new factories or additions to factories."

Almost half of the companies in the *Mexican American Review* survey regularly "pursue a policy of reinvesting all their profits in their businesses." The study also showed increased US investment is accelerating the industrialization of Mexico. One North American company set up the first aluminum rolling plant in Mexico, another the first farm implement plant in Latin America.

US enterprises have also helped build and maintain a transportation system considered better than those of most Latin American countries. They have made substantial contributions to the agricultural economy and have helped tourism, Mexico's No 1 industry. In addition, they have made possible more and better consumer goods, have contributed to a higher standard of living and increased Mexico's technological know-how.

Of course, all this in turn benefits the US and the rest of the free world. Says C-of-C man Bill McDonnell: "It has become increasingly apparent that a mutually rewarding commerce with other nations is vitally important to our industry and our national welfare."

. . . DOWN MEXICO WAY

Johns-Manville
Johnson & Johnson
Kimberley-Clark
Lilly (Eli) & Company
Lockheed Aircraft
Mead Johnson
Minneapolis-Honeywell
Mohasco Industries
Monsanto Chemical
Mueller Brass
National Cash Register
Nestle-Le Mur
Olin Mathieson
Otis Elevator
Pan American Sulphur
Parke, Davis
Pepsi-Cola
Pfizer (Chas) & Company
Philco Corp
Procter & Gamble
Ralston Purina
RCA
Scott Paper
Sears, Roebuck
Sherwin-Williams
Simmons Company
Singer Manufacturing
Socony Mobil Oil
Sperry Rand
Square D
Stauffer Chemical
Studebaker-Packard
Union Carbide
Westinghouse Electric
Woolworth (F W) Company
Worthington Corp

NATIONAL DEFENSE
Vertical Integration

THE Convair-Electric Boat tandem which enables General Dynamics to bid for defense projects from ocean floor to celestial orbit has piqued the interest of one of Convair's Southern California neighbors. Last week Lockheed Aircraft acquired control of shipbuilder & repairer Puget Sound Bridge & Dredging. Lockheed chairman Robert Gross commented: "We believe we may become eligible for a part in building atomic submarines—which seem destined to be the capital ships of the future."

Skipjack Salute

ONE OF THE "capital ships of the future" (see above) receives her official commission today. The smart new sailor is the USS *Skipjack,* as talented and radical a recruit as ever joined the fleet. In the course of prolonged sea trials since its launching last May it has already copped the speed record for undersea craft.

The secret of the A-sub's super speed is her streamlined albacore hull (albacores are speedy tuna-like fish). The revolutionary shape (dramatically displayed when the *Skipjack* slid down the ways—see picture) is now mostly hidden underwater. Even when the sub surfaces only the "sail" (modified conning tower) really rises above the waves. Submerged, the new sub becomes almost an "undersea plane." It is operated by a one-man control joy-stick, can be run by automatic pilot; operators wear seatbelts to keep from being thrown about as the ship performs her aquatic hijinks.

The *Skipjack* was built by submarine expert General Dynamics, is powered by an advance-design reactor made by Westinghouse Electric. The first of a whole new class of subs, the Navy has already announced plans for five more. Britain's first A-sub, the *Dreadnaught,* will be built along the same lines.

Nuclear propulsion pro Westinghouse (it began with the *Nautilus*) recently won the contract to supply *Skipjack*-style atomic equipment for the British craft. It also holds orders for the reactors on all the *Skipjack*-class US subs. All told, it is responsible for the reactors on 30 of the 33

Albacore out of water

A-subs announced by the Navy. It will also power the Navy's first nuclear surface vessel, the cruiser *Long Beach*, and the first nuclear carrier, the *Enterprise* (IR, Oct 1, 1958).

As a result chairman Gwilym Price and president Mark Cresap could boast in the 1958 annual report: "Westinghouse maintained its position of leadership as a developer and supplier for the US Navy's growing atomic powered fleet."

The 1958 report itself afforded good proof of Westinghouse's own power. Despite a slight decline in sales to $1.9 billion from the record $2 billion reached in 1957, net income advanced to $74,800,000 or $4.25 a share from $72,700,000 ($4.18) the year before. So far Westinghouse has invested $30,000,000 in atomic power activities, will add $5-to-10,000,000 this year.

As for nuclear profits, observers feel the hefty log of Navy contracts helped bring Westinghouse atomic activities close to the break-even point by the end of 1958—another record fellow nuclear pioneers would love to match. President Cresap comments: "Our overall atomic power group is expected to show a profit in the near future, possibly this year."

BUILDING MATERIALS
Sparks From Vulcan

TOMORROW the 12,000 stockholders of Alabama's Vulcan Materials Company will meet (in person or by proxy) in Chicago's Palmer House for their annual meeting. Among those present should be officials from J P Morgan and Continental Can, both on Vulcan's 19-man board.

A cheerful meeting is expected. Company brass will report "extraordinary growth" which meant new records in both sales and earnings last year. To be more exact, sales rose 15% to $101,000,000 and a slight improvement in profit margins raised net 17% to $6,786,000. Because of leverage on the common stock, earnings a share rose 23% to $1.13.

Vulcan is the result of the 1956 merger of Vulcan Detinning and Birmingham Slag (IR, March 6, 1957). Thereafter the aggressive company used its brains, agility and cash to acquire a number of other outfits. This may cause some junior fireworks at the annual meeting, especially since the company's annual report makes some candid statements. Example 1: "problems of organizing our family of companies into a more efficient group." Example 2: "differences of managerial philosophies, administrative practices, business policies and accounting systems."

Present Tense. In his tastefully modern Birmingham office last week, handsome 42-year-old president Charles William Ireland reported considerable progress in internal affairs. The 24 companies have been reorganized into nine decentralized executive teams which get support and policy decisions from HQ. In the process of this reorganization 14 subsidiaries were tossed on the slag heap.

Equally important, standard cost systems and controls have been de-

veloped for all divisions. Says Charles Ireland: "These changes have made us a tightly knit, cost-conscious organization." Symbolic of this is the company's new emblem (see below) which is described as "simplicity with modern design * * * the strong, sweeping lines suggest energy and direction."

Vulcan's prime business is the production and sale of slag, stone, sand & gravel to construction and heavy industry (ie, steel, railroads). It proudly declares: "More than 100 facilities—from the Gulf to the Great Lakes, from the Atlantic to the Rockies." Says president Ireland: "Last year we spent over ten million on improvements and many of our plants are the finest in the business."

At present there are only two serious problems. One is sharp competition and price wars which are characteristic of the industry (but lessening). The other is the possibility of a freight car shortage. Says Ireland: "We have felt some pinch already. If we can't deliver the goods you can bet a competitor will try to nose us out."

For an industrial company, Vulcan has an unusual capitalization. After $17,000,000 of long-term debt there are three preferreds totaling 631,000 shares ahead of the 4,789,000 common shares. The $16 par preferred is interesting because it is convertible into common share-for-share; at presstime the preferred sold around 19 and yielded 4.2% whereas the common sold one point lower and yielded 2.7%. All stocks are listed on the Big Board (symbol VDT). President Ireland comments: "We are the only aggregates company listed on the New York Stock Exchange and this has helped us in merger deals."

Future Tense. Charles Ireland bubbles when he talks of the future. "We are in a good spot to expand by acquisition. This business runs into the billions but is composed of thousands of little companies, mostly family-owned. For one reason or another—inheritance taxes is a big one—many want to sell out. If the deal looks right we are willing to talk anytime."

Even without mergers he predicts substantial gains. "This year got off to a bum start because of bad weather but we expect an annual sales gain of at least 15%. Profits should do even better. Take one important item—the highway program. Regardless of all the talk, it is barely off the ground. There are hundreds of millions available which have not been contracted. For instance Illinois has committed only 3% of its road money, Indiana and Georgia 12%. At this rate we will not hit a plateau until '62 or maybe

much later. As the roads are finished we anticipate wonderful business from maintenance."

Charles Ireland puffed a Kent and continued: "Many of our plants are booked solid right now and we are pushing expansion * * * Five years from now I can see doubled sales in the Chicago area, a very important area for us."

OIL
The Ayes of Texas

WHEN the Texas Company was incorporated in 1902, its New York office was assigned the cable address Texaco. In the ensuing 57 years the Texaco sign also became a familiar roadside address for motorists. The more formal Texas Company gradually took second place in familiarity to its breezier nickname.

Finally the company decided to end the nomenclature conflict. Next week at the annual meeting stockholders will vote "aye" on rechristening the corporation Texaco Inc. In a preliminary step the company two months ago changed 65%-owned Canadian affiliate McColl-Frontenac to Texaco Canada Ltd.

Well-integrated Texaco accounts for about 10% of all the oil products used in this country. Last year it passed Standard Oil of New Jersey to become the largest crude oil producer in the US with gross domestic production running over 454,000 barrels a day.

The Texaco star also shines brightly overseas. It owns a 30% interest in Aramco (Arabian American Oil Company); together with California Standard it shares 50-50 ownership of Caltex and Caltex Pacific which explore, produce, refine and market in the Eastern hemisphere, mostly in Asia. Texaco has producing properties in Venezuela, Colombia and Trinidad; it explores concessions (in which it holds an interest of 40% or more) in the Philippines, Turkey, Libya and Western Australia. It has also applied for oil and gas development rights in the Canadian Arctic.

These holdings plus its extensive US oil lands give Texaco global reserves of 15.7 billion barrels. The company operates twelve refineries in the US and has interests in refineries in 17 foreign countries. All told, it has a worldwide refining capacity of 1,274,000 barrels a day.

The company has also exhibited a hefty spurt of financial growth. Last year total assets topped the $3 billion mark, more than triple 1945. And although results were off somewhat last year (revenues down $16,000,000 to $2.3 billion, earnings off to $5.31 a share from $5.94) due to lower product prices, Texaco forecasts bigger demand and better operations this year. To demonstrate this confidence, directors voted to up the regular quarterly dividend to 60¢ beginning with the March disbursement. Previously the company paid 50¢ quarterly, supplemented however by 35¢ year-end extras in 1956-58.

Meantime the stock advanced to an alltime high of 89 in December last year from its early 1958 low of 56. However, it has recently eased somewhat, now trades at 77 on the Big Board.

CHEMICALS

Glidden Streamlines

EIGHT YEARS AGO the Glidden Company began to "take a searching look" at itself and launched an internal reorganization program to weed out operations which "while profitable, required an abnormally large investment in receivables, inventory and manufacturing facilities." Last week chairman & president Dwight P Joyce (elected president in 1947, he has held both top positions since 1954) told Wall Street analysts the program was almost completed.

He summarized: "We have taken our original base and overhauled it to have one motive—profit." Specifically, he and his colleagues set a goal of "at least 20% profit before taxes on the money invested in every operation" so as to "get the most out of the overall capital entrusted to us." Activities which fell short of this minimum ratio were to be changed and improved if feasible, otherwise dropped.

Under this program the Cleveland-based company has eliminated "operations which produced an annual sales volume of $61,000,000 but yielded less than $1,000,000 profit before taxes." In a climactic step last fall it disposed of the chemurgy division (soybean processing & grain merchandising) to Central Soya Company of Fort Wayne. The chemurgy unit brought in $32,000,000 or 14% of all Glidden business in the fiscal year ended last August. Glidden last year also dropped its white lead operation in Scranton and its destructive distillation unit in Jacksonville. In addition it closed its original titanium dioxide pigment plant, the St Helena Works in Baltimore.

Plus Projects. On the positive side Glidden has invested almost $40,000,000 in new plant and equipment since 1954 including the $24,000,000 Adrian Joyce titanium pigment plant in Baltimore with twice the capacity and many times the efficiency of the St Helena Works. The new plant is named after chairman-president Dwight Joyce's father (and immediate predecessor) who founded the paint making company in 1917. This major replacement project is but one more aspect of the big reorganization program which "has cut across all areas of our business."

President Joyce stated the Durkee Famous Foods division "has undergone a vigorous upgrading program with concentration on specialized products like shortenings for prepared mixes and hard fats for confection coatings." A new coconut and spice plant was opened in Bethlehem, Pa last year. Glidden also sold most of its "low-return" table margarine business in 1957 to concentrate on bulk margarine oils.

In the paint division Glidden added 82 branches in four years for better consumer distribution, also built or improved a number of plants and "aggressively" developed new paints and coatings. Finance vp Beauford W Maxey stated the Durkee and paint divisions each now bring in somewhat over two-fifths of total sales. Paints also account for about two-fifths of pre-tax income

but Durkee profits are estimated at only 25-to-30% of the total. However both divisions set new highs in operating income last year.

The two remaining divisions (chemicals-pigments-metals and organic chemicals) are figured at roughly 12-to-18% of sales but normally enjoy the best profit margins, thus should contribute over 25% to Glidden earnings. Last year however both suffered from lower general sales as well as heavy expenses from the realignment program. Aside from the improved titanium dioxide pigment operation, the first group concentrates on "the growing field of powder metallurgy." Meanwhile the organic chemical unit has largely switched from naval stores (turpentine, etc) to the new and more promising specialties of terpene chemicals, synthetic resins and tall oil.

More Action. Though the basic reorganization is "virtually" completed, Glidden's long-range plans are not. Beauford Maxey says "we expect capital expenditures to be about $10,000,000 for the current fiscal year ending August and this amount will be the base minimum for the next several years." He also reported the company has an "active acquisition program" and would not hesitate to undertake new financing for added growth.

For the time being however Glidden financing needs have been met. Last November the company sold $30,000,000 in 25-year debentures. The proceeds were earmarked to repay bank loans (taken out to pay for the modernization program) so

Glidden redecorator Joyce

profits from operations can now be funneled into further expansion.

Though aided by a strong second half in which net topped 1957 by 23%, Glidden sales for the full August 1958 fiscal year dipped 4% to $217,000,000 while profits fell to a twelve-year low of $6,063,000 or $2.64 a share. But in part reflecting disposal of the chemurgy division, earnings for the six months ended February 1959 rose to $1.32 against a net of 92¢ the year before. This was accomplished on sales of only $92,500,000 compared to last year's tally of $100,500,000 (to which chemurgy contributed $15,200,000).

Looking ahead 58-year-old, silver-haired Joyce (who came to Glidden after graduating from Michigan in 1921) is optimistic. For the current fiscal year he predicts sales of $200,000,000—down 8% from last year's reported volume but an alltime high on an ex-chemurgy basis. "Net in-

come could approach $7,500,000" or $3.30 a share—a nice gain in any figuring and the best in over a decade for the chemurgy-less Glidden units.

Last Spring when Wall Streeters doubted the annual $2 dividend would be covered, the stock dropped to 28 on the Big Board. The shares have since rebounded to an alltime high of 50 this January, now trade around 45.

PAPER
West Virginia Powwow

THE SIXTIETH annual meeting of the West Virginia Pulp & Paper Company held late last month at Manhattan's elegant Park Lane Hotel lasted only 20 minutes. But this was plenty long enough for the audience of 50 shareowners to hear some heartening up-to-date results from president David L Luke: in the January 1959 quarter sales were up 15% to $55,500,000, earnings increased a whopping 45% to $2,-760,000 or 52¢ a share.

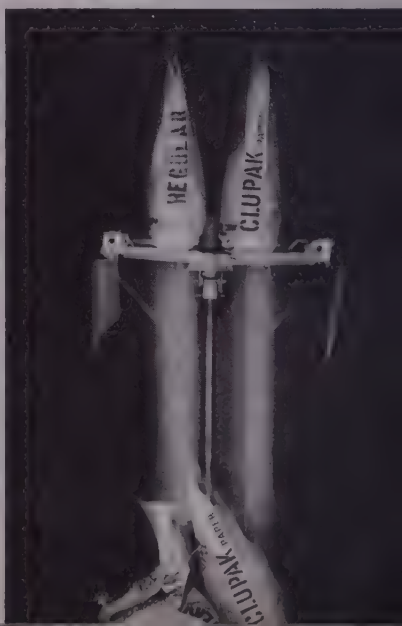
This rebound in profits was especially encouraging in view of 1958 results. In the year ended October 31 sales had advanced to a record $208,000,000 from $200,000,000 but earnings dropped to $9,600,000 or $1.78 a share from $12,700,000 ($2.38) in fiscal 1957.

President Luke attributed the recovery in the new year's first quarter to "reduction in overhead costs" but also allowed for the "unduly depressed level of earnings in the first quarter of last year." At the same time he emphasized: "Sales and earnings improved as a result of reorganization and intensified selling efforts supported by new products."

One of the most important of these new products is Clupak, a kraft paper with built-in stretchability. The Clupak process was pioneered by shirtmaker Cluett-Peabody, adapted to kraft paper use by West Virginia. Both companies share ownership in Clupak Inc, a subsidiary which licenses the stretchable paper process to West Virginia.

Tough, tear-resistant Clupak (see the stroboscopic photo of its triumphant showing in a "butt drop" test) is aiming at an important market in paper sacks and many other uses. It is already used for large shipping sacks and multiwall bags. Although it was only introduced last year, David Luke pointed out its favorable acceptance has been a factor in lifting current kraft paper volume

Less bursts with Clupak



which is "slightly double a year ago."

Another new West Virginia product, Flakeboard, gives the paper maker an entrant in the construction field. Made from synthetic resins and chips of scrub lumber with no timber value, Flakeboard is pressed into smooth-surfaced boards. These can be used in place of more expensive plywood and lumber core for walls as well as for packing crates, etc.

In addition to new product news, however, president Luke also informed stockholders of the state of an old problem: strikes. West Virginia's 250-ton-a-day plant at Mechanicville, NY which accounts for 6% of company output, has been on strike since January 20. Paperman Luke placed the cost through the end of March at $1,250,000 before taxes, or about 12¢ a share after taxes. A strike at the same plant in the final quarter of fiscal 1956 had cost the company 25¢ a share.

However the $238,000,000-assets company has five other pulp & paper mills still in operation plus 16 box factories and five bag plants. There is good chance these will be kept busy as David Luke told stockholders "we have witnessed a definite quickening in demand." And although he candidly admitted "we still have some distance to go," he maintained resolutely "we intend to go there."

One item absent from the agenda at the meeting: there was no comment about restoration of the 10¢ dividend cut made last August which reduced the quarterly rate to the current 30¢ a share.

WALL STREET

Price-Earnings Ratios Roar to Uncommon Heights For Many Stocks

ACCORDING to a recent remark in the *New York Times*, "a stock at 20 times earnings is an investment, at 40 times earnings a hedge against inflation and at 60 times earnings a growth stock." This tongue-in-typewriter definition is a tart commentary on the highly volatile market of recent months which has witnessed phenomenal rises in the price of many "glamor" stocks —including some whose new-born glamor traces largely to the midwifery of rumor mongers.

Certainly there is no dearth of stocks which fit this satiric "inflation hedge" description and they cover an amazing quality range all the way from well-established industry leaders to promising newcomers to extreme speculations. A sampling of stocks now selling at more than 40 times earnings is shown on pages 12 & 13. Figures are based on earnings for 1958 or the latest fiscal year (in a few cases latest twelve-month totals were substituted), adjusted for stock splits, etc. For some added perspective, 1957 earnings are listed where available.

Not all stocks made the list because of skyrocketing prices. The price-earnings ratio is exactly what its name indicates: market price divided by earnings a share. Put another way, a stock earning $2 a share which trades at 60 is said to sell at 30 times earnings; if the price goes up to 80, it sells at 40 times earnings. Obviously the ratio can

scoot upward for either of two reasons: when the stock price goes up or when earnings go down. Especially in view of the recession impact on 1958, there are plenty of the latter.

With earnings in the penny range, fantastic price-earnings ratios result. For instance Royal McBee which netted only 3¢ a share last year now sells at over 600 times these meager earnings. If income falls to zero, the price-earnings ratio reaches mathematical infinity; in case of deficits (as for Chrysler and Underwood last year) the ratio cannot be computed at all.

In some cases low earnings a share have been chronic. But often they just reflect the impact of a bad year or two. When Westinghouse limped through 1956 a mere dime a share in the black, the year's low of 51 for the stock was of course 510 times those earnings but less than 16 times the five-year 1953-57 average of $3.20 a share. Last year net rose to $4.25. The current price of 77 is 18 times this tally.

Another example is Magma Copper in a cyclical industry which is extra-cyclical for the smaller producers. After a deficit in 1957, Magma cleared 58¢ last year. It sells at 119 times earnings at the current price of 69. But if some Wall Street predictions of $6 a share this year (the company earned $6.21 in 1956) should materialize, the price would

SOME STOCKS WHICH CURRENTLY S

Company	Recent Price	Earnings a share 1958	1957	Price-Earnings Ratio
Aerojet-General	85	$ 1.38	$ .88	62
Aluminium Ltd	30	.74	1.37	41
Aluminum Co of Amer	81	1.96	3.55	41
Amer Petrofina "A"	10	.02	.25	500
American Seal Cap	11	.08	1.16	137
Ampex Corp	77	1.20	.84	64
Baird-Atomic	29	.54	.08	54
Bohn Aluminum	26	.46	2.04	57
British Amer Oil	41	1.00	1.74	41
Budd Company	23	.33	1.91	70
Butte Copper & Zinc	6	.02	.05	300
Calgary & Edmonton	30	.43	—	70
Capital Airlines	20	.23	d3.53	87
Chadbourn Gotham	5	.09	.05	56
Chemetron Corp	31	.73	4.12	42
Chemway Corp	16	.30	.11	53
Chickasha Cotton Oil	15	.22	.37	68
City Investing	25	.28	.85	89
Corning Glass Works	104	2.52	2.43	41
Curtis Publishing	14	.30	1.29	47
Detroit Steel	17	.31	.90	55
Dow Chemical	83	1.73	1.78	48
Eastern Industries	21	.03	.25	700
Electronics Corp	13	.26	.22	50
Fairbanks, Morse	34	.76	2.42	45

Company	Rec Pri
Fairchild Camera	7
General Bronze	3
General Time	8
Goldfield Cons Mines	
Haloid Xerox	10
Haveg Industries	6
High Voltage Engineer	5
IBM	55
Kidde (Walter) & Co	1
Knapp-Monarch	[illegible]
Litton Industries	9
Lone Star Steel	3
Magma Copper	6
Marquardt Aircraft	6
Matson Navigation	4
Metal Hydrides	4
Minn Mining & Mfg	13
Molybdenum Corp	4
Nat'l Mall & Steel	3
New York Central RR	2
Olin Mathieson	4
ORRadio Industries	3
Owens-Corning Fiber	6
Pacific Mills	3
Pennsylvania RR	1

be a more modest eleven times earnings.

No Norms. Such earnings fluctuations are one reason why no one can set a specific figure as a price-earnings "norm." In addition, investors must consider long-range earnings potential in figuring how many times the present income they are willing to pay for the stock. The nature of the industry is important too. Utilities bought largely for well-protected current income and moderate but steady expansion will naturally sell at a lower earnings "multiplier" than chemicals or drugs where emphasis is on long-range growth rather than current return. Besides, such factors as management plans (and abilities), financial strength, the availability of the stock, etc all enter into evaluating a security's market worth.

Even for the overall averages there is little agreement on any "normal range" which price-earnings ratios might be expected to follow. The Dow-Jones industrials now sell around 22 times their 1958 earnings of $27.91 compared to a ratio of 20 in the 1929 heydey. A year ago, with the D-J industrials some 160 points lower, they sold at twelve times the 1957 profit of $36.08.

The improved earnings already apparent this year will bring the current ratios down a bit. But *Barron's* recently remarked: "The assumption

MORE THAN 40 TIMES EARNINGS

Earnings a share 58	Earnings a share 1957	Price-Earnings Ratio	Company	Recent Price	Earnings a share 1958	Earnings a share 1957	Price-Earnings Ratio
.14	$1.68	66	Philco Corp	28	$ .61	$ .91	46
.82	2.01	44	Pittsburgh Forgings	16	.30	3.02	53
1.17	1.70	68	Polaroid Corp	115	1.94	1.44	59
.02	.04	75	Reading Company	22	.34	5.36	65
1.96	1.83	53	Reeves Bros Inc	15	.11	.76	136
.02	.60	67	Revere Copper & Brass	44	.94	3.24	47
.12	.89	49	Rheem Mfg	20	.12	.97	167
.39	7.36	53	Rohm & Haas	550	13.05	14.04	42
.23	1.57	74	Royal McBee	19	.03	2.68	633
.10	.27	40	Sanders Associates	28	.63	.98	44
2.08	1.47	44	Savage Arms	15	.06	1.03	250
.33	3.55	112	Sharon Steel	37	.20	3.68	185
.58	d1.94	119	Siegler Corp	43	.80	1.36	54
1.66	1.62	40	Standard Coil Prod	18	.36	.55	50
.23	1.67	209	Standard Ry Equip	16	.13	2.83	123
.63	d .97	65	Superior Oil (Cal)	1840	39.20	44.71	47
2.58	2.34	53	Tenney Engineering	14	.35	.27	40
.12	.50	358	Texas Instruments	90	1.84	1.11	49
.15	5.05	240	Thiokol Chemical	123	2.05	1.48	60
.62	1.30	42	Twin City Rapid Trans	12	.24	1.01	50
.70	2.67	64	US Borax & Chemical	45	.41	1.15	110
.23	.28	165	US Industries	12	.24	1.34	50
.67	1.36	40	Varian Associates	50	.90	.56	55
.14	1.31	271	Vitro Corp of America	17	.42	1.42	40
.27	1.45	59	Wilson Jones	20	.25	1.84	80

of a 40% earnings improvement in the first half would mean earnings at an annual rate of only $34 which currently is being capitalized at 18 times—a rate which shows the heavy dependence being placed on the results of the third and fourth quarters to bring about a rate even remotely approaching the figures prevalent in broad areas of unmistakable buying appeal."

But if the averages sell at a historically high ratio, the bulk of the glamor stocks sell at twice that level and more. Obviously investors —cheered by the promise of growth and scared by the threat of inflation —have "discounted" much of the potential earnings gains for quite some time ahead while current improvements have been far outstripped by rising market prices.

For instance Haloid Xerox 1958 earnings rose nominally to $1.96 a share from $1.83 but the price rocketed from a low of 36 in 1957 to 103 recently, boosting the earnings multiplier from 20 to 53.

Aerojet-General earnings in the year ended last November rose sharply to $1.38 from 88¢ in 1957. But in the face of this 57% increase, the stock rose from an adjusted price of 13 to 85, driving the multiplier from 15 to 62.

Polaroid has increased net by an average 60% annually over the past five years, cleared $1.94 in 1958 against $1.44 in 1957. But even if the company manages to maintain this phenomenal rate of growth and attain $3 this year, the present market price would still be virtually 40 times such earnings.

ELECTRONICS
Live Wires

THE PRINCIPLES of electronics are not the sort of thing most people are intimately familiar with. However one electronics fact seems common knowledge among investors: the industry was one of very few to post a sales gain in 1958: to $7.7 billion *v* $7.6 billion in 1957. And it is expected to grow to an estimated $8.3 billion sales this year.

Of course the grand totals mask ups & downs for individual companies within the industry. Parts of the industry's civilian segment lagged but by & large as military electronics volume hit a new high of $4.1 billion in 1958 against $3.9 billion in 1957, defense-oriented electronics experts managed to turn in results modeled on the trajectories of their space-aimed interests.

For instance, for the six months ended January **Litton Industries** which turns out digital computers and controls, inertial guidance equipment, etc, reported sales up 43% to $56,900,000. Earnings shot up to $2,724,000 (including a special $400,000 credit) or $1.48 a share from $1,800,000 ($1.02) the year before. Just five years ago the company's report for the entire 1955 fiscal year showed sales of only $8,770,000, earnings of $440,000. Litton shares currently sell at 91 on the Big Board, a fancy 44 times 1958 earnings (see table, pg 12). They sold as low as 37 last year, traded at only 10 back in 1955.

Another important military electronician, **International Telephone & Telegraph** (SAC and worldwide Air

Force communications, missile equipment, White Alice and DEW line maintenance), reported record 1958 sales of $703,000,000 *v* $653,500,000 in 1957. Earnings advanced to $26,600,000 or $1.85 a share from $22,400,000 or $1.56. The stock meantime has sparked to a recent high of 42, triple the 1958 low (adjusted for this February's 2-for-1 split). Currently it trades around 39 on the NYSE.

With some 80% of its business in Government work **Raytheon Manufacturing** (electronic tubes, semiconductors, the Hawk missile system) was able to score a 45% sales increase to a record $375,000,000 last year. Profits rose at almost twice the rate of sales: to $9,400,000 or $3.08 from $4,830,000 or $1.70 (excluding a special net gain of $2,030,000). The stock now sells at 65 on the Big Board compared to the all-time peak of 70 reached earlier this year and the 1958 low of 21.

For the three months ended December klystron tube specialist **Varian Associates** sported sales of $5,320,000 against $4,110,000 while net income hit $414,000 or 30¢ a share compared to $167,000 or 12¢ in the December quarter of 1957. Founded just ten years ago to manufacture inventor Russell Varian's klystron tubes (used for missiles, radar, communications), Varian has increased sales almost a hundredfold in the decade while net income is up 250 times. After tripling since early in 1958, Varian shares now trade over-the-counter around 50. At this price it sells at 55 times 1958 earnings.

RETAIL TRADE

Sears Flyer

ONE COMPANY to bear out the hearty optimism of the nation's retailers (IR, March 4) is veteran vendor Sears, Roebuck. Record sales in the last five months of the January fiscal year "more than compensated" for the decline which "generally unfavorable economic conditions" caused in the first seven months. This enabled the $2 billion-assets retailer last week to release an annual report showing both sales and earnings for the full year up 3% to new records. Volume reached $3.7 billion while net reached $165,800,000 or $2.21 a common share *v* $2.15.

But despite the second-half improvement, operating profit margins were down for the year. The $4,730,000 boost in reported net income came thanks to a hefty hike in dividends ($19,300,000 *v* $5,500,000) from non-consolidated subsidiaries, especially Allstate Insurance.

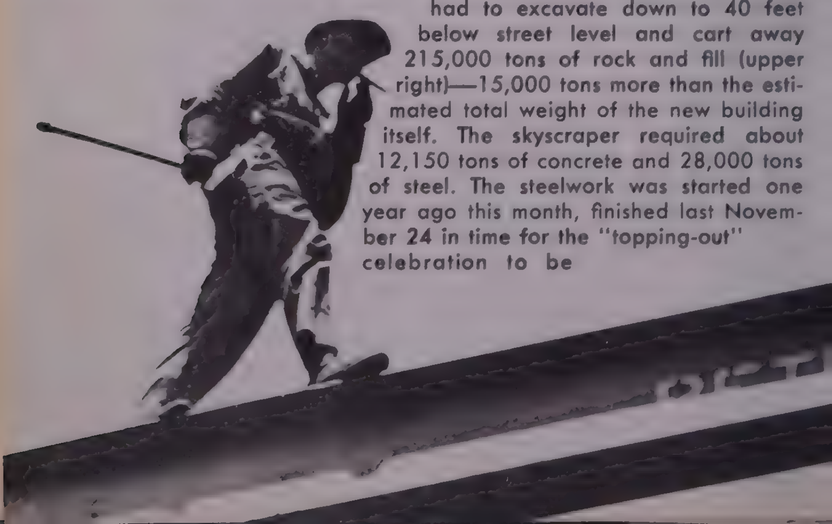
But the best tidings for Sears holders dealt with the current year. In the first month of the new fiscal period sales raced ahead 16% to $242,000,000. And while March figures were not available at presstime Sears chairman Fowler B McConnell noted they ran "about 15% ahead of last year * * * due partly to Easter coming a week earlier this year * * * but despite unseasonable weather during the month in several sections of the country."

For the full year "it is anticipated Sears sales will rise" further. Most important after last year's squeeze, the year also holds promise of "satisfactory profit levels."

TIME-LIFE LANDMARK

On the outskirts of Manhattan's Rockefeller Center, Time is rapidly moving into space. This feat is accomplished not by latter-day Einsteins but by the skilled workmen of contractors George A Fuller Company and John Lowry Inc. These pictures show them erecting the 48-story, $79,000,000 Time Inc headquarters on the Avenue of the Americas (Sixth Avenue to old friends) across from the Radio City complex (upper left). Forty years ago the site housed the old New York Railway Company car barn complete with repair shops and a power house which provided juice for the trolleys. More recently the Roxy movie palace and Taft Hotel (both will remain) took over the western portion of the long block; the Time-scheduled part of the area was occupied by an assortment of small shops, luncheonettes, a four-story office building and a parking lot.

The glass, metal & limestone Time-Life Building is one of the most ambitious office construction projects in ambitiously constructing Manhattan. Plans call for striking modernistic glass curtain wall construction. A landscaped plaza will front on the Avenue, a promenade will run along the south (50th Street) side while an L-shaped base wraps around the other two sides of the tower (see model, page 18).



To lay the foundation, workers had to excavate down to 40 feet below street level and cart away 215,000 tons of rock and fill (upper right)—15,000 tons more than the estimated total weight of the new building itself. The skyscraper required about 12,150 tons of concrete and 28,000 tons of steel. The steelwork was started one year ago this month, finished last November 24 in time for the "topping-out" celebration to be

marked by a well-lit 35-foot Christmas tree planted eerily atop the 587-foot structure. Positioning of the girders called for the usual fancy aerial footwork (lower left), always an impressive sight for both the Burns watchmen who guard the project (lower right) and ever-present sidewalk superintendents.

In true Rockefeller Center tradition, passing "experts" were welcomed to the project at the Sidewalk Superintendents Club, a flower-decorated, candy-striped pavilion which offered a good view, pretty hostesses and "music to watch by." Legend has it the club's first chapter was founded by John D Rockefeller Jr in 1938. Seems he stopped to watch excavation for the Center's Eastern Air Lines Building but was told to "keep moving, buddy." A few weeks later the first official sidewalk superintendent's clubhouse opened with a Dutch motto translated as "the best pilots stand on the shore."

The new building is owned by Rock-Time Inc, a 55-45 combination of Rockefeller Center and Time Inc. At the end of 1958, Time had invested $9,900,000 in Rock-Time stock and subordinated notes, Rockefeller Center $12,100,000. In addition, Rock-Time arranged for $50,000,000 in general mortgage bonds through Equitable Life and $6,000,000 in bank loans.

With moving-in time set for late this year, nearly 100% of the 1,500,000-square feet of rentable space is taken. One lessee: Merrill Lynch. Co-owner Time will be chief tenant, occupy about 40% of the building. Some special Time-ly features: an automatic bucket conveyor running from the third basement to the 33rd floor for rapid interoffice transit of copy, morgue files, etc; a special air conditioning system which will cool offices occupied during the Time-Life editorial work week (their "weekend" comes in midweek) without running the machinery for the entire building.

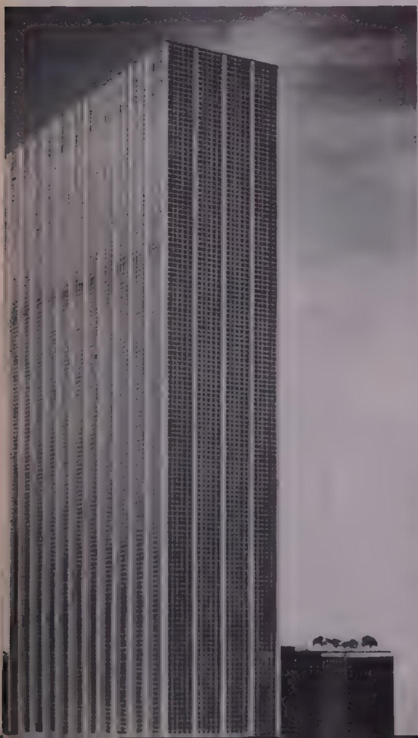
Time will use its new quarters as home base for its magazines (*Time, Life, Fortune, Sports Illustrated, House & Home, Architectural Forum,*

etc) publishing operations—the largest in the world. A folio of other Time interests will also be edited from the new offices. The publisher owns and operates five TV stations and five radio stations through subsidiary TLF Broadcasters. It controls East Texas Pulp & Paper (pulp and bleached kraft) and has a half share (with Crown Zellerbach) in St Francisville Paper which is building a groundwood pulp & paper mill in Louisiana.

The investment-minded publisher also has a fortunate way with capital gains which have given it a cushion to help finance the new building and its other ventures. It netted $15,100,000 on liquidation of its investment in Houston Oil in 1956 and $7,700,000 from sale of its 350,000-share holding of St Regis Paper common stock the next year.

On Time's operating pages, magazine publishing still writes by far the biggest story—and last year it dealt with the effects of recession cutbacks in advertising. Despite a slight increase in other ventures, a $13,000,000 slide in magazine advertising revenues (to $157,000,000) dropped total company revenues to $245,000,000 from the 1957 peak of $254,000,000. Earnings were off for the second year in a row to $8,740,000 or $4.47 a share from $6.15 a share in 1957 and $7.10 in 1956 (excluding extraordinary capital gains and losses in 1956-57).

As advertising tends to lag behind general business conditions, the greater portion of the decline showed up in the second half of 1958. In the first six months Time volume eased only 1% to $124,000,000 while second half revenues slipped 5% to $121,000,000. Profit margins of 4.3% in the first period were squeezed to 2.7% in the second half.



However, following the general business recovery advertising linage is expected to pick up somewhat this year. Ad revenues should get even more of a boost as *Time* and *House & Home* have already increased their rates (6.5% and 8.9% respectively) while *Fortune* will up its rates 6.8% in July. Furthermore four-year-old *Sports Illustrated,* which increased its ad take by 40% last year while many magazines suffered deletions, may be in the black by the end of this year. With the publisher expected to write improved 1959 results, the stock recovered from the 1958 low of 52 to 75 this February, currently trades over-the-counter around 65. However, this year's high was still below the peak 80 reached in 1956.

Investor's Reader

US Steel in Trim Shape

Spends for Efficiency Rather Than Sheer Capacity, Wins Profits Payoff

BORN a full-fledged giant, the United States Steel Corporation sprang to life 58 years ago with 45% of the nation's total steel-making capacity. Since the days of founder-chairman Judge Elbert Gary it has quadrupled its steel facilities to 41,900,000 ingot tons a year. Though its share of rapidly expanding industry capacity has gradually declined to 28% the company has never been even remotely challenged for the No 1 spot (runner-up Bethlehem Steel has 23,000,000 tons capacity).

Far more important than mere size, "Big Steel" (as it is matter-of-factly known) has through strenuous efforts in the postwar years regained an enviable reputation for superior efficiency in the industry. Finance committee chairman Robert Carroll Tyson remarks: "During the second quarter of 1958 we operated at 53% of capacity and made money." While all the major steel companies showed surprising profits resilience in the face of sharply curtailed volume, Big Steel was able to sport the highest profit margin in the industry last year.

Starting with little over a billion-dollar capitalization in 1901, Morgan-sponsored US Steel was by far the biggest corporation ever put together up to that time. Now the $4.4 billion-assets company is still going strong as the third largest industrial concern in the country after Standard Oil of Jersey ($8.7 billion) and General Motors ($6.8 billion). With 312,000 owners for its 54,000,000 common and 3,600,000 non-callable $7 preferred shares, Big Steel has the sixth-largest stockholder population. And its cryptic ticker symbol "X" is undoubtedly one of the best-known on the Big Board.

Integration. Big Steel's stature at the topmost reaches of the corporate pyramid has been built up from a broad base which not only covers a fully integrated steel operation from the raw ore to tin plate, wire and automotive sheets but also extends into allied fields like cement and shipping.

Integration starts with almost 2 billion tons of reported iron ore reserves. About half are in the US, the other half is owned by subsidiaries Orinoco Mining Company in Venezuela and the Quebec Cartier Mining Company at Lac Jeannine, Quebec.

In addition US Steel controls 13½ billion tons of taconite low-grade ores which are little used at present. Financier Tyson amplifies: "Using taconite ores is involved and costly. We haven't had to because we have large quantities of higher grade ore. But we're set to move into bigger taconite production if & when the time comes." Then he assured: "The world has enough ore reserves so you and I and our children and even our grandchildren won't have to worry."

Big Steel digs about two-thirds of the 25,000,000 tons of coal a year

it burns in its furnaces. This in turn has led it to become a major producer of by-product coke and coal chemicals such as benzol and tar, used by others as ingredients for sulfa drugs, aspirin, nylon, etc.

US Steel operates mines, plants and other facilities in 36 states. Through a global sales organization it exports throughout the free world. Its American Bridge division constructs both bridges and buildings, fabricates large diameter pipe and highway construction items, has plants dispersed through twelve states. US Steel Homes (born as Gunnisson Homes) builds "prefabs."

US Steel is among the largest cement producers through its Universal Atlas division which has an annual capacity of over 32,000,000 barrels, 8% of national capacity. Big Steel owns 16 medium-sized and small railroads (biggest: the Elgin, Joliet & Eastern) which link mines and mills. The Pittsburgh Steamship division operates 57 cargo vessels which carry iron ore on the Great Lakes and the Michigan Limestone Division has eight self-unloading ships which haul limestone from upper Michigan to lower Great Lakes ports.

Triple Touch. At the top of this vast organization are board chairman Roger Miles Blough, a lawyer; president Clifford Firoved Hood, an electrical engineer, and financial chairman Tyson, an accountant. In February president Hood became 65, the usual retirement age for US Steel executives. But after 42 years with the company he will stay on for the time being, probably at least until after a new labor contract is negotiated to replace the three-year pact expiring June 30. Lawyer Blough and accountant Tyson have ten and twelve more years to go till pension age.

At the corporation's 71 Broadway headquarters just below historic Trinity Church Bob Tyson took a chair in the large, green-walled, 17th floor conference room and explained: "We operate as a team. The three of us often discuss future plans prior to official action by any of our committees. But we are not a triumvirate, we can be overruled. We do keep each other advised so we may have an understanding of the whole picture."

To keep up with and ahead of far-flung operations Bob Tyson admitted he works "long hours." He and chairman Blough are based in Manhattan, commute on company planes to Pittsburgh "a little less often than once a week" to attend meetings of the operations policy committee. This group composed of senior corporate executives is the first to pass on any major new moves. For his part prexy Hood leaves Pittsburgh operating headquarters every two weeks to come to Manhattan for meetings of the board of directors or the finance and executive committees.

Besides the New York-Pittsburgh shuttle, the big three of Big Steel visit plants around the country "at least three or four times a year. It's the only way to get the feel of things." To insure the executives operate at peak efficiency the organization is geared to keep "the mas-

Big three of Big Steel: Tyson, Hood, Blough

sive details" out of their hair and allow only big problems and decisions "on the exception basis" to come to their attention.

As board chairman and chief executive officer, Roger Blough has "general charge" of company affairs and direct responsibility for public relations (a major effort at US Steel). Cliff Hood is in general charge of manufacturing (including production, sales, research, engineering and raw materials) and Bob Tyson is responsible for all financial & accounting functions. These include paying taxes ($380,000,000 in 1958) and employes ($1½ billion in 1958) and providing funds for modernization & expansion—$448,000,000 last year.

Another job: rigorous cost accounting initiated under former finance chairman Enders Voorhees in 1937. This is one of the programs Bob Tyson credits with a major payoff in efficiency and profits. He had watched the results since 1939 when he left his position in charge of auditing US Steel's books at accounting firm Price Waterhouse and came to help finance genius Voorhees develop US Steel's own central accounting organization.

Bottom Line Counts. Winning the steelmaking race today involves a fantastic amount of foresight and planning, Bob Tyson testified. "We are capitalizing today on the energies expended and the ideas developed years ago. The ideas and energies of today will pay off tomorrow." He added: "The biggest single element in our present day position is the almost $4 billion we have spent since World War II to improve our plant. Emphasis has been on streamlining production rather than increasing capacity. Though capacity increased by 50% since 1945, we concentrated on quality and service to customers rather than quantity."

Percentage-wise at least, other steel companies added more in sheer capacity which accounts for the five percentage point drop in Big Steel's share of the overall market. Bob Tyson has no regrets on this score: "I don't think you'll find any other company which has spent relatively

more than we have. We have spent it in a different direction and when I look at the bottom line of the income statement I don't think we've spent it unwisely."

He indicates this was a deliberate move toward the optimum profit-making position: "We expect to grow with the economy but our concern is to make the most money with the money we have to spend."

A good deal of money goes into research. The company has 1,000 scientists and technicians working on hundreds of fundamental and applied research projects at its Monroeville, Pa research center—"the largest laboratory in the world devoted to ferrous metallurgy." One example: asbestos-clad technicians take high-speed movies of open hearth operations to check quality (see picture, pg 23).

Board chairman Roger Blough points out metallurgy has passed from the era of experimentation with the chemical composition of steel to work with the "visible microstructure" and "now we are venturing into the atomic structure." The onetime Pennsylvania school teacher (he later went to Yale Law) reported: "It has been possible in the laboratory to produce a single crystal of pure iron in the form of a filament with a tensile strength approaching 2,000,000 pounds per square inch. That is more than seven times the strength of the strongest steels that exist today."

Big Steel constantly seeks to develop new and better steels. One of the latest: vinyl plastics bonded to steel sheets. The sheets are used for furniture, wall panels & TV cabinets.

Simultaneously US Steel keeps experimenting with better steelmaking methods. It or its predecessor companies were the first to introduce the open hearth and the electric furnace into commercial use in this country. It has not gone in for the oxygen converter type of furnace now tried by some steel companies (IR, Nov 12, 1958) but finance man Tyson counters: "We have the patent for the oxygen lance [a system which injects a stream of oxygen into the open hearth bath for faster & cheaper reduction of steel]. It produces more steel at a lower cost than any other type of converter." As the company rebuilds its furnaces (relining furnaces is a periodic necessity) it incorporates the latest advances.

In addition to capital expansion and research US Steel has "concentrated internally on continual improvement in methods" such as training programs for management and employes, development of accounting and cost controls, adoption of incentive plans for production workers and management. "All these things have a bearing on results," asserts Bob Tyson.

No Point of Return. Commenting on a popular shibboleth, he stressed: "There's no such thing as a fixed break-even point—a specified percentage of capacity above which we start making money. Profits depend on your product mix and many other factors."

The past quarter century's change in demand toward more steel-containing consumer products compared to steel for machinery and other

heavy equipment has made the industry more resilient in recession time. "Steel is no longer the extreme peak and valley business it once was." In 1931-35 for instance the mills operated at about one-third of capacity because the nation's expenditures for capital equipment were cut back drastically.

"Since then," pointed out Big Steelman Tyson, "demand has increased for steel sheets for automobiles and the semidurable class of products — refrigerators, washing machines, toasters—which are not subject to as violent swings as the heavy construction industry." The company estimates a third of its production goes for consumer goods. "Take the tie-in with the [canned] food industry. This is a stabilizer because people still eat, whether there's a recession or not."

Despite such demand cushions, the recession last year cut US Steel's volume to $3.5 billion, almost a billion below the 1957 high. However it was the sixth largest (dollar volume) year in the company's history.

Thanks to its cost-cutting programs, US Steel managed to limit its profit dip, earned $301,000,000 or $5.13 a common share in 1958 *v* $419,000,000 or ($7.33) a share in 1957. It was Big Steel's fourth best year profitwise.

The '59 Question. So far this year operations have been at a brisk clip, some 30-to-35% above slow 1958. But some of the orders are obvious stockpiling by steel users worried about a strike when the current contracts expire in June. Serious negotiations are still some weeks off

Camera eye on open hearth

but cost and inflation-conscious steelmen (at Big Steel as well as most other companies) insist they are determined to hold the line against the type of wage increases (direct or fringe) which would catapult costs way beyond present levels.

President Eisenhower last month warned the steel companies and the steelworkers a steel price increase would be against the national interest. He asked both sides to work for a settlement which would necessitate "no advance in the price [of steel] the public has to pay."

With the strike question, the size of eventual settlement and the rate of this Fall's business activity all presenting major "unknown factors," steelmen are even more eager than usual to refrain from 1959 predictions. Bob Tyson is no exception, restricts himself to: "We certainly hope we can do better than in 1958. But while the first half will obviously show a large improvement, don't

forget the last few months of 1958 were exceptionally strong so there's a possibility we may slip below these levels."

In the stock market the sharp gains in steel production and solid position of Big Steel has pushed the price of X shares from 52 a year ago to a recent alltime high just shy of 100. The stock currently sells at 92. The high price has stirred talk of a stock split since Big Steel split 2-for-1 in 1955 when the price of the old shares hit 75 and 3-for-1 in 1949 when the shares reached about 70.

But any action is likely to await a labor settlement. The same applies to any change in the dividend rate, currently 75¢ a quarter. The last boost (the third since 1954) came in January 1957. Financier Tyson points out: "We feel the stockholders' best interests are served by continuity. When we declare an increase we hope to see our way clear to maintaining it."

Most of X's $4 billion expansion since War II has been financed internally. But $300,000,000 worth of bonds were sold in 1954 and another $300,000,000 last July. "I don't have any plans for any more money raising," moneyman Tyson reported. Capital expenditures for 1959 may exceed last year's $448,000,000 by a modest margin.

Biggest project is the Lac Jeannine mine which should produce 8,000,000 tons of concentrated ore a year by 1961. The $300,000,000 project will be the most expensive iron mine in Canada. The immense scope of the steel business is illuminated by plans for the new mine. Already under construction are a 193-mile railroad from Port Cartier on the St Lawrence River north to Lac Jeannine, a 60,000-hp generator on the Hart Jaune River, just south of Lac Jeannine, a deep water port at Port Cartier and the beginnings of an ore concentrator at the lake. Later permanent towns will be built near Lac Jeannine and Port Cartier.

Besides this major new project many individual plants are being expanded and improved, including the South Works and Gary Works near Chicago and the Pittsburg Works in California. Both areas consume more steel than is made there.

Like US Steel Corp, the US steel industry has expanded its capacity mightily but not as fast as the rest of the world. This country had 54% of world production in 1946, only 30% in 1958. But again steelman Tyson is unworried. "There is a growth potential in steel still with us. Also I do not think we are at the limits of what we can do with productive efficiency."

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Milwaukee	B Russell Buck
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NY 500 7th Ave	Murray M Grossman
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HEADS OR TAILS

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